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# The Influence of Intrinsic Brand Cues in Intangible Service Industries: An Application to Life Insurance Services

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## Abstract

This paper primarily examines the influence of intrinsic brand cues in service industries particularly in the life insurance services. This is due to the growing importance of life insurance in the service sector in Malaysia. A self-structured questionnaire survey was conducted and distributed to respondents in the townships of Dungun and Kemaman. Early results show that company reputation was the most powerful cue that can influence life insurance decision.

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**Keywords:** Malaysia; life insurance; intrinsic brand cue; company reputation; service attributes; media reviews

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## 1. Introduction

Malaysia's insurance industry has achieved significant progress in recent decades in terms of growth and development. According to Bank Negara Malaysia, the penetration rate, as measured by the number of life policies to total population, increased significantly to 55 percent from 31 percent in the year 2000. In the face of challenging global economic environment, the capacity of the insurance industry to expand is depending on the ability of insurers to maintain their competitive positions in the financial sector as well as within the industry itself. During the

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past 10 years, the level of awareness on life insurance protection among Malaysian is relatively low compared to the current situation. Recently, some of the insurance companies have successfully grabbed the attention of Malaysian people by implementing various marketing strategies including service branding strategy. Branding has received significant attention from various marketing literatures; however this interest has been directed at products with physical forms (goods), rather than services (Davis, 2007; Krishnan and Hartline, 2001). The high degree of intangibility in life insurance service makes it extremely difficult to communicate and evaluated. Thus, a greater understanding of how brand cues influence service purchase decisions is therefore needed (Brady, Brodeau and Heskell, 2005). Therefore, intrinsic brand cues as branding strategies in communicating the service to the consumer should also be applied by a life insurance company. For that reason, this paper is essentially presented to examine the association between intrinsic brand cues and life insurance purchase decision.

## 2. Literature Review

### *Branding in life insurance service*

Kotler (2000) defines a brand as a name, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate from those of competitors. Brand also is considered as the seller's promise to deliver a specific set of features, benefits, and services consistently to the buyers (Kotler, 2000). According to Onkvisit and Shaw (1989) the high degree of intangibility of services has made branding and image creation become more important to be applied for services. Same as life insurance service, the intangibility of the service offered requires the application of branding. Skinner (1990) claims that branding can show the quality level of particular product or service to the customer and can be very useful in gaining competitive advantage. Therefore, the branding in life insurance service is crucial in influencing customer and important for the life insurance company to conquer life insurance industry in Malaysia.

### *Brand cue*

Crane and Clarke (1998) define cue as “a characteristic event, quality, or object that is external to the consumer that is encoded and used to categorize a stimulus object”. Cue involves in the cue utilization process when a customer wants to buy something along the way of their purchase decision. Olson (1972) consumer will pass through 2-step of cue utilization process where customer stores information about specific cues and then the product will be evaluated via cues cognitive processing. Basically, there are two types of cues that can be used in branding strategy; intrinsic brand cues and extrinsic brand cues (Olson and Jacoby, 1972). There are many reasons to use the cues in a purchase decision. Veale, Quester, and Karunaratna (2006) have found several purposes of cues usage; the consumer intended to reduce perceived risk (Simoes and Dibb, 2001), the consumer is short of expertise (Srinivasan and Jain, 2004) or the consumer unwilling to spend much time in assessing the too complex objective quality (Ha et al., 1986).

### *Intrinsic Brand cue and Purchase Decision to life insurance service*

Intrinsic brand cues made up directly from the products or services which make it difficult to change (Olson and Jacoby, 1972). They are higher-level cues that directly related to the product, such as product or service quality attributes. The intrinsic brand cues that will be discussed in this study are reputation, service attributes and media reviews.

Reputation is a perceptual representation of an organization's past performance and future prospects which describe the company's overall performance as compared to other competitors (Roberts and Dowling, 2002 and echo Fombrun 1996) as quoted in Dolphin (2004). Broomley (2001) defines reputation as a distribution of opinions that are the expressions of image about certain key points. A good reputation is a tool in enhancing an organization's financial value which can also influence purchase intentions (Gotsi and Wilson, 2001). Moreover, Rindova et al. (2005) as quoted in Dolphin (2004), suggest that company reputation signal the capabilities of a company to produce quality products and services and perform as a sign of the quality inputs and productive assets possessed by that

company. According to Bensebaa (2004), the customer may consider reputation a reliable medium for judging performance and making purchasing decision. Service attributes with different levels of importance have different impact on satisfying customer expectations and it is important for companies to understand the effect of the quality of service attribute on customer satisfaction (Matzler, 2004). According to Cronin et al., (2000), the research on service quality created a positive relationship between quality and customer purchase intentions, but the relationship has proven to be complex.

Another form of intrinsic brand cue is the media reviews includes newspaper, radio, television, direct mail, magazine and billboards also contribute to the increase of sales volume of a product or service. Henry (2001) believes that information from media review can be able to minimize decision uncertainty. Controlled communications in media review such as advertising are trusted to be an essential as a source to communicate the service and minimize decision uncertainty. Prior research has largely been focused in the areas of traditional communication tools such as advertising, promotions, publicity and WOM. More contemporary research claims that brand names are also important medium of information to consumers (Janiszewski and Van Osselaer, 2000). Other than that, it is also recognized that communications such as advertising, WOM and publicity also affect the consumers' level of satisfaction with a brand (Grace and O'Cass, 2005).

## 2.1 Hypotheses

From the literature above the following hypotheses are:

H1: The life insurance company service attributes are significantly related to insurance purchase decision

H2: Media Reviews would significantly affect the purchase decision.

H3: The life insurance company reputation has a significant relationship with purchase decision

## 3. Research methodology

A set of questionnaire was designed as the measurement instrument for this study. A total number of 200 set questionnaires consisting of 3 parts had being distributed to 200 life insurance policy holders who live in Dungun and Kemaman region and only 132 of questionnaires has been returned for analysis. Part A consists of 7 questions on respondent demographic profile. Part B encompasses 5 general questions on respondent's general information on life insurance purchase decision whereas Part C involves 3 sections of the 3 intrinsic brand cues; company reputation, service attributes and media reviews on 7-point scale ranging from "strongly disagree" to "Strongly agree". Last part of the questionnaire consists of 7-point scale statement related to life insurance purchase decision.

## 4. Analysis and Discussion

### 4.1. Exploratory Factor Analysis

An exploratory factor analysis (EFA) was performed on Service Attributes( ServAT), Media Reviews( medRE) ,Company Reputation (comRE) and Purchasing Decision (PurDec) . This is carried out in order to reduce the number of item measurement and to identify underlying dimensions. A Maximum Likelihood extraction with promax rotation was used to obtain more manageable items. During this EFA analysis, items with high cross loading (>0.3) and items with low factor loadings were eliminated.

Table 1: The CFA Results for the Measurement Model

Construct	Item	Factor Loading	Cronbach Alpha (Above 0.7)	CR (Above 0.6)	AVE (Above 0.5)
ServAT	ServAT_6	0.85	<b>.935</b>	<b>.937</b>	<b>.679</b>
	ServAT_10	0.87			
	ServAT_4	0.86			
	ServAT_5	0.84			
	ServAT_3	0.75			
	ServAT_8	0.76			
	ServAT_1	0.83			
MedRE	MedRE_8	0.77	<b>.882</b>	<b>.883</b>	<b>.602</b>
	MedRE_1	0.77			
	MedRE_4	0.78			
	MedRE_2	0.80			
	MedRE_5	0.76			
CompRE	ComRe_3	0.86	<b>.899</b>	<b>.897</b>	<b>.687</b>
	ComRe_4	0.92			
	ComRe_9	0.70			
	ComRe_6	0.82			
PurDec	PurDec_8	0.81	<b>.864</b>	<b>.871</b>	<b>.629</b>
	PurDec_10	0.79			
	PurDec_9	0.68			
	PurDec_4	0.88			

Table 1 above illustrates the factor loadings for each of the constructs is statistically significant. It is considered as sufficiently high and the constructs are therefore acceptable. The factor loading greater than .50 are considered necessary as mentioned by Hair, Black, Babin, Anderson and Tatham (2005). The result of all constructs shows a satisfactorily high factor loadings and an Alpha Coefficient of the factors are well above the acceptable value of 0.70 (Sekaran, 2009), which were ranged between 0.864 to 0.935. All CR scores ranging from 0.87 – 0.93, were much higher than the recommended cut-off point of 0.6. Thus, each of the factors reliably measured its respective constructs. The AVE scores ranged from 0.60 to 0.69. The variances extracted are above the threshold value of 0.50 as suggested in Zainuddin (2012). The result shows that the measurement model is reliable and valid.

#### 4.2. Confirmatory Factor Analysis

All the resulting measures from EFA were then validated using CFA analysis. For the fit indices, it can be concluded that all models fits well with the data. The overall model fit indicated Chisq/df of 1.778, which means it has achieved the parsimonious fit index category. Zainuddin (2012) stated that it should be lower than 5.0. Other fit indices (GFI = 0.81, CFI = 0.93, RMSEA = 0.077) demonstrated a relatively good fit (Hair et al., 2006). Therefore, estimated structural model illustrated in Figure 1 was deemed to be a good fit for testing the hypotheses.

Table 2: The Regression Weights for every path estimate in Figure 1

Construct	Path	Construct	Estimate	S.E	C.R	P-Value	Result
PurDEC	<---	ServAT	.654	.089	7.311	***	Significant
PurDEC	<---	MedRE	-.062	.117	-.526	.599	Not Significant
PurDEC	<---	ComRE	.212	.117	1.820	.069	Not Significant

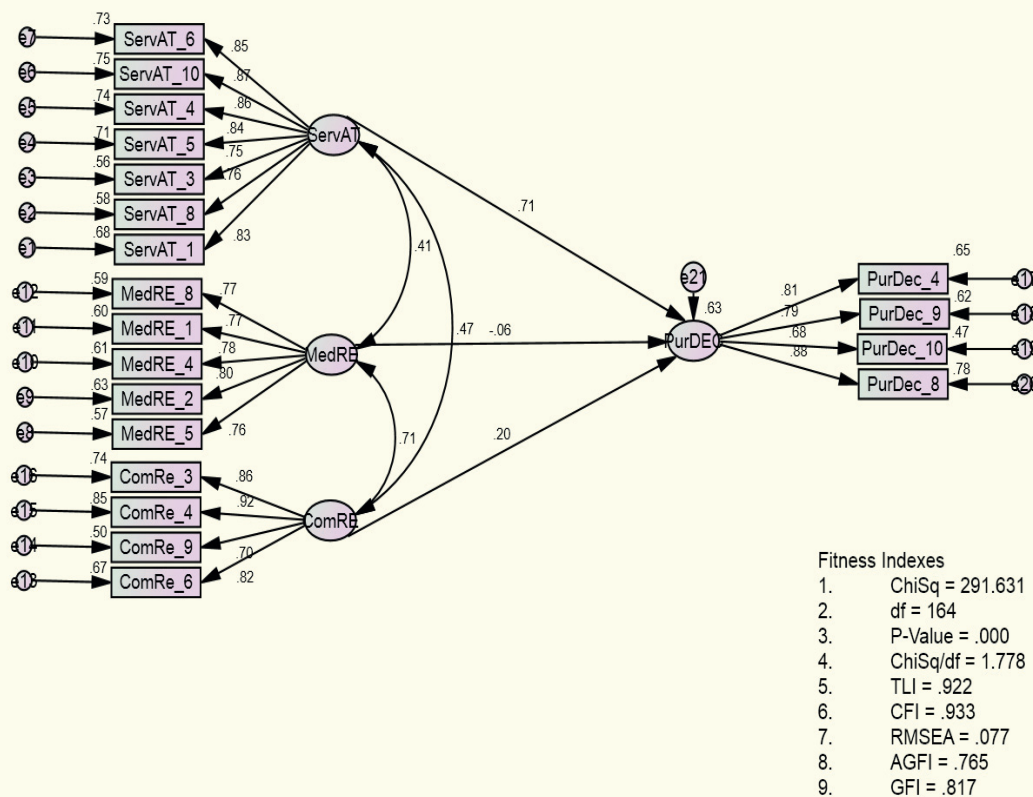


Fig 1: Structural Equation Modeling Result

### 4.3. Hypothesis Testing

#### 4.3.1. Hypothesis 1

H1 tested whether the company's service attributes was significantly related insurance purchase decision. As shown in Figure 1, all factors of service attribute is significant with purchase decision ( $P < 0.001$ ). These findings may result from the fact that the speedier claims settlement time, high flexibility in service offering as well as value for money. This result suggests that service attributes are likely to be the main consideration for consumers in selecting their life insurance services. It also implies that consumers have a high need for quality services and the insurance providers and players in the industry should take extra care when delivering services to customers. Hence, H1 is supported suggesting that service attributes does correlate positively with purchasing decision. This is in line with the study done by Athma and Kumar (2007) which claim service attributes can influence life insurance purchase decision.

#### 4.3.2. Hypothesis 2

From the analysis in Table 2, it can be concluded that the probability of getting a critical ratio as large as 0.526 in absolute value is .599. In other words, the regression weight for Media Reviews in the prediction of Purchase Decision is not significantly different from zero at the 0.05 level (two-tailed). This result is inconsistent with what has been pointed out by Salaün and Flores (2001) in which they believes that service advertisement and reviews can

reduce uncertainty and increase purchasing interest. One reason of this contradiction is maybe because customers nowadays are more educated due to their education level and knowledge. Therefore, they carefully chose a particular product or service. They are not easily influenced by media review such as advertising or publicity. Hence, the hypothesis that stated Media Reviews would significantly affect the purchase decision is not supported.

#### 4.3.3. Hypothesis 3

It was hypothesised that company reputation has a significant relationship with purchase decision. From the result in Table 2, it is shown that company reputation is not significantly related to purchase decision. That is, the consumers have less intention to purchase the insurance service merely looking at company reputation. This is inconsistent with the findings by Gotsi and Wilson (2001) that stated reputation plays a major role in the consumer's purchase intention. As there are so many life insurance companies in Malaysia having almost similar reputation, it will have a lesser influence on consumer's purchase decision of a customer. They may consider other variables in their life insurance purchase decision. This may be due to the possibility that the purchase decision can be influenced by other factors which has not been studied here such as influence from the agent, personal referral. For example, for customers to buy life insurance service is not mainly depending on the company reputation as they may be influenced by an agent or friends to buy life insurance. Therefore it is concluded that H2 is not supported.

## 5. Conclusions and implications

This study is aimed to examine relationships among service attributes of insurance providers, media reviews company reputation and purchase decision among the public in the eastern region of Malaysia. From the research conducted, it can be concluded that this research has supported the research done by Brady, Bourdeau and Heskell (2005) which found that intrinsic brand cues is more important in intangible service industries. However, only one independent variable, service attributes cue has a significant relationship with the dependent variable. While this research contradicts with many other literatures (e.g. Salaün and Flores, 2001; Gotsi and Wilson, 2001) it is necessary to consider many other variables that influence the insurance purchase decision. This finding supports the idea that delivering service at quality standard is important in sustaining the business in the long run. The insurance company and players should take extra effort beyond service delivery to capture the growing market and population.

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